

# **Covington Independent School District**

**Financial Statements with Supplementary Information  
June 30, 2014  
Independent Auditor's Report**

**COVINGTON INDEPENDENT SCHOOL DISTRICT**  
**June 30, 2014**

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**COVINGTON INDEPENDENT SCHOOL DISTRICT**  
**June 30, 2014**

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## Independent Auditors' Report

To the Members of the Board of Education  
Covington Independent School District  
Covington, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Covington Independent School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Covington Independent School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Covington Independent School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report  
(Continued)**

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8, 15 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Covington Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Reporting Other Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014 on our consideration of the Covington Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Covington Independent School District's internal control over financial reporting and compliance.

*Burns, Denning & Co., Ltd.*

Crestview Hills, Kentucky  
November 10, 2014

## COVINGTON INDEPENDENT SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2014

As management of the Covington Independent School District (District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

#### FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$7,351,808.
- A concerted effort remains in place for purchasing in the areas of supplies, food and travel by using effective management strategies to reduce cost for the District. All purchase requests must be budgetary.
- District Staffing Policy is reviewed annually to monitor student reductions and staff per available funding. Any open positions are reviewed to determine if the need is still there to fill the position or restructure the position with another position already in the District.
- The District continues to educate and train the Board of Education in regard to all of the District's budgets.
- The District continues to train the schools' SBDM councils on spending the allocations within the current fiscal year.
- The District continues to strive to maintain a healthy contingency.
- The district continues to look for ways to improve student achievement by providing Section 7 funds to schools based on their needs of their particular school/program. Section 7 funds are in addition to a schools Section 6 (SBDM) funds which is based on 3.5% of the SEEK allocation times the number of children in the school.
- FY14 the district was able to provide approximately \$400,000 additional funds to schools. Some schools used these funds for technology needs such as computers, iPads, laptops, and projectors for Smart Boards. Some schools used money for supplemental reading text to support Social Studies and Science, to purchase DI materials, and supplemental books. Some schools used their funds to add positions to their school to provide additional Reading and Math interventions.
- Budgets in the District besides the SBDM budgets provided by the schools have gone through a review process with the Budget Committee to address needs/priorities of each area and adjusted accordingly.
- The District continues to work with our Insurance Providers developing a Safety Committee. This committee also provides additional safety training to our employees. There has been a steady decline in Worker Compensation claims saving the District money on insurance premiums.
- In reviewing attendance data over the past 20 years, our District had been on a steady decline in Average Daily attendance of between 50 and 100 students per year. This trend has change over the past 4 years. From 2009 to 2013 the enrollment has actually increased each year (80 students in 2010, 55 students in 2011, 10 students in 2012, 157 students in 2013, and 79 students in 2014). Our current enrollment this year shows that we are also showing an increase from the previous year. This helps create a more stable environment for budget purposes.

## COVINGTON INDEPENDENT SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A)

(Continued)

Year Ended June 30, 2014

#### FINANCIAL HIGHLIGHTS (Continued)

- The District administered \$8,304,807 in Federal, State and local grants during the year.
- The average teacher's salary in the District for 2014 was \$46,587. The Covington Board of Education remains committed to maintaining teachers' salaries at competitive levels.
- The General Fund had \$39,887,177 in revenue excluding interfund transfers of \$15,000. General Fund revenues primarily consisted of the state program (SEEK), property, franchise tax, motor vehicle taxes, as well as on-behalf benefits from the state. There was \$38,185,428 in General Fund expenditures, excluding interfund transfers and including the on-behalf benefit payments made by the state.

#### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***District-wide financial statements.*** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 10 of this report.

***Fund financial statements.*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations and day care operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 19 of this report.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
(Continued)**

**Year Ended June 30, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 34 of this report.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$18,219,471 as of June 30, 2014.

The largest portion of the District's net position reflects its investment in capital assets (i.e. land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Position for the periods ending June 30, 2014 and 2013**

The following is a summary of net position for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Current assets	\$ 11,258,182	\$ 10,276,521
Noncurrent assets	23,420,511	24,505,942
Total assets	<u>\$ 34,678,693</u>	<u>\$ 34,782,463</u>
Current liabilities	\$ 2,880,291	\$ 3,530,258
Noncurrent liabilities	13,578,931	15,234,822
Total liabilities	<u>16,459,222</u>	<u>18,765,080</u>
<b>Net position</b>		
Investment in capital assets (net of debt)	8,749,743	7,528,930
Restricted	1,308,887	938,456
Unrestricted	8,160,841	7,549,997
Total net position	<u>\$ 18,219,471</u>	<u>\$ 16,017,383</u>

**DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)**

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)**

**(Continued)**

**Year Ended June 30, 2014**

**Comments on General Fund Budget Comparisons**

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2014, were \$39,887,177, net of inter-fund transfers, of \$15,000.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$7,651,894 more than budget or approximately 20% of General Fund Budget. The majority of this variance is the result of the District recording "on-behalf" payments made by the state.
- General Fund actual expenditures were \$38,185,426, net of inter-fund transfers of \$332,260.
- General Fund actual expenditures were less than budgeted expenditures by \$1,375,417. This is the result of the District closely monitoring budgetary expenditures.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
(Continued)**

**Year Ended June 30, 2014**

**DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)**

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 292,811	\$ 293,235
Operating grants	11,314,963	12,034,458
Capital grants	1,376,129	1,276,725
Total grant revenues	<u>12,983,903</u>	<u>13,604,418</u>
General Revenues		
Property taxes	17,230,183	16,853,581
Grants and entitlements	22,934,886	21,801,119
Earnings on investments	20,415	19,650
Miscellaneous	426,817	(78,283)
Total general revenues	<u>40,612,301</u>	<u>38,596,067</u>
Total revenues	<u>53,596,204</u>	<u>52,200,485</u>
<b>Expenses</b>		
Instructional	26,930,402	26,878,128
Student support services	2,957,482	2,996,141
Staff support	970,869	1,067,595
District administration	1,895,909	1,904,687
School administration	3,725,457	3,535,747
Business support	1,732,897	1,880,710
Plant operations	6,334,370	6,528,794
Student transportation	1,557,247	1,634,926
Food service operation	9,165	13,736
Facilities acquisition and construction	1,097,728	301,074
Community service	165,910	1,166,473
Food service	2,920,899	2,377,704
Daycare	270,657	231,014
Interest on long-term debt	664,834	555,075
Total expenses	<u>51,233,826</u>	<u>51,071,804</u>
Excess of revenues over expenses	<u>\$ 2,362,378</u>	<u>\$ 1,128,681</u>

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$3,057,287 in contingency (8.0%). The cash balance for the beginning of the fiscal year was \$7,351,808.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)**

**(Continued)**

**Year Ended June 30, 2014**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Questions regarding this report should be directed to Mr. Alvin L. Garrison, Superintendent (859) 392-1001 or to his representative Ms. Annette Berner, Director of Financial Services/Finance Officer (859) 392-1016 or by mail to: Covington Board of Education, 25 East 7<sup>th</sup> Street, Covington, KY 41011.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Net Position – District Wide  
Year Ended June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 7,884,170	\$ 827,093	\$ 8,711,263
Accounts receivable	2,448,150	32,102	2,480,252
Inventories for consumption	-	66,667	66,667
	<u>10,332,320</u>	<u>925,862</u>	<u>11,258,182</u>
<b>Noncurrent</b>			
Nondepreciated capital assets			
Land	1,393,260	-	1,393,260
Depreciated capital assets			
Land improvements	781,134	-	781,134
Buildings and improvements	40,586,103	-	40,586,103
Furniture and equipment	6,259,204	772,408	7,031,612
Less: accumulated depreciation	<u>(25,855,351)</u>	<u>(516,247)</u>	<u>(26,371,598)</u>
Total noncurrent	<u>23,164,350</u>	<u>256,161</u>	<u>23,420,511</u>
Total assets	<u>33,496,670</u>	<u>1,182,023</u>	<u>34,678,693</u>
<b>Liabilities</b>			
<b>Current</b>			
Current portion of bonds payable	1,596,756	-	1,596,756
Accounts payable	324,452	1,562	326,014
Accrued interest	167,653	-	167,653
Accrued sick leave	56,102	-	56,102
Accrued payroll and related expenses	1,603	-	1,603
Assessed KISBIT liability	137,796	-	137,796
Unearned revenues	<u>594,367</u>	<u>-</u>	<u>594,367</u>
Total current	<u>2,878,729</u>	<u>1,562</u>	<u>2,880,291</u>
<b>Noncurrent</b>			
Accrued sick leave	504,919	-	504,919
Bond obligations	<u>13,074,012</u>	<u>-</u>	<u>13,074,012</u>
Total noncurrent	<u>13,578,931</u>	<u>-</u>	<u>13,578,931</u>
Total liabilities	<u>16,457,660</u>	<u>1,562</u>	<u>16,459,222</u>
<b>Net position</b>			
Invested in capital assets, net of related debt	8,493,582	256,161	8,749,743
Restricted	384,587	924,300	1,308,887
Unrestricted	<u>8,160,841</u>	<u>-</u>	<u>8,160,841</u>
Total net position	<u>\$ 17,039,010</u>	<u>\$ 1,180,461</u>	<u>\$ 18,219,471</u>

See notes to the financial statements.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Activities – District Wide  
Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
<b>Governmental Activities:</b>							
Instructional	\$ 26,930,402	\$ 1,050	\$ 6,798,414	\$ -	\$ (20,130,938)	\$ -	\$ (20,130,938)
Student support services	2,957,482	-	136,315	-	(2,821,167)	-	(2,821,167)
Staff support services	970,869	-	15,409	-	(955,460)	-	(955,460)
District administration	1,895,909	-	-	-	(1,895,909)	-	(1,895,909)
School administration	3,725,457	-	134,453	-	(3,591,004)	-	(3,591,004)
Business support services	1,732,897	-	-	-	(1,732,897)	-	(1,732,897)
Plant operation and maintenance	6,334,370	-	-	-	(6,334,370)	-	(6,334,370)
Student transportation	1,557,247	-	122,543	-	(1,434,704)	-	(1,434,704)
Food service operation	9,165	-	-	-	(9,165)	-	(9,165)
Community service operations	1,097,728	-	1,097,673	-	(55)	-	(55)
Facility acquisition and construction	165,910	-	-	1,376,129	1,210,219	-	1,210,219
Interest on long-term debt	664,834	-	-	-	(664,834)	-	(664,834)
<b>Total governmental activities</b>	<b>48,042,270</b>	<b>1,050</b>	<b>8,304,807</b>	<b>1,376,129</b>	<b>(38,360,284)</b>	<b>-</b>	<b>(38,360,284)</b>
<b>Business-type Activities</b>							
Food service	2,920,899	167,621	2,963,117	-	-	209,839	209,839
Daycare	270,657	124,140	47,039	-	-	(99,478)	(99,478)
<b>Total business-type activities</b>	<b>3,191,556</b>	<b>291,761</b>	<b>3,010,156</b>	<b>-</b>	<b>-</b>	<b>110,361</b>	<b>110,361</b>
<b>Total school district</b>	<b>\$ 51,233,826</b>	<b>\$ 292,811</b>	<b>\$ 11,314,963</b>	<b>\$ 1,376,129</b>	<b>\$ (38,360,284)</b>	<b>\$ 110,361</b>	<b>\$ (38,249,923)</b>
			<b>General revenues:</b>				
			Taxes		\$ 17,230,183	\$ -	\$ 17,230,183
			State and federal sources		22,934,886	-	22,934,886
			Investment earnings		19,302	1,113	20,415
			Miscellaneous		395,603	-	395,603
			Special items:				
			Gain on disposal of fixed assets		16,214	-	16,214
			KISBIT Assessment		-	-	-
			Fund transfer		(84,478)	99,478	15,000
			<b>Total general and special revenues</b>		<b>40,511,710</b>	<b>100,591</b>	<b>40,612,301</b>
			Change in net position		2,151,426	210,952	2,362,378
			Net position - beginning		15,047,874	969,509	16,017,383
			Net position adjustment		(160,290)	-	(160,290)
			Net position - ending		<b>\$ 17,039,010</b>	<b>\$ 1,180,461</b>	<b>\$ 18,219,471</b>

See notes to the financial statements.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Balance Sheet – Governmental Funds  
Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
<b>Current</b>				
Cash(overdraft) and cash equivalents	\$ 8,527,544	\$ (1,027,961)	\$ 384,587	\$ 7,884,170
Interfund receivable	38,363	-	-	38,363
Accounts receivable	771,056	1,677,094	-	2,448,150
<b>Total current</b>	<u>\$ 9,336,963</u>	<u>\$ 649,133</u>	<u>\$ 384,587</u>	<u>\$ 10,370,683</u>
<b>Liabilities and Fund Balance</b>				
<b>Current</b>				
Accounts payable	\$ 308,049	\$ 16,403	\$ -	\$ 324,452
Accrued payroll and related expenses	1,603	-	-	1,603
Interfund payable	-	38,363	-	38,363
Unearned revenues	-	594,367	-	594,367
<b>Total current</b>	<u>309,652</u>	<u>649,133</u>	<u>-</u>	<u>958,785</u>
<b>Fund Balance</b>				
Restricted:				
Capital projects	-	-	384,587	384,587
Grants	-	-	-	-
Committed:				
Other	8,903,274	-	-	8,903,274
Site-Based carryforward	14,450	-	-	14,450
Assigned	29,655	-	-	29,655
Unassigned	79,932	-	-	79,932
<b>Total fund balance</b>	<u>9,027,311</u>	<u>-</u>	<u>384,587</u>	<u>9,411,898</u>
<b>Total liabilities and fund balance</b>	<u>\$ 9,336,963</u>	<u>\$ 649,133</u>	<u>\$ 384,587</u>	<u>\$ 10,370,683</u>

See notes to the financial statements.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
Year Ended June 30, 2014**

Total governmental fund balance		\$ 9,411,898
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	49,019,701	
Accumulated depreciation	<u>(25,855,351)</u>	23,164,350
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable		(14,670,768)
Accrued interest on bonds		(167,653)
Assessed KISBIT liability		(137,796)
Accrued sick leave		<u>(561,021)</u>
Total net position - governmental		<u>\$ 17,039,010</u>

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2014**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 16,469,045	\$ -	\$ 761,138	\$ 17,230,183
Earnings on investments	19,302	69	-	19,371
State sources	22,525,312	2,661,048	1,376,129	26,562,489
Federal sources	409,574	5,100,408	-	5,509,982
Other sources	396,653	543,282	-	939,935
<b>Total revenues</b>	<b>39,819,886</b>	<b>8,304,807</b>	<b>2,137,267</b>	<b>50,261,960</b>
<b>Expenditures</b>				
Instructional	19,997,650	6,872,646	-	26,870,296
Student support services	2,774,600	136,315	-	2,910,915
Staff support services	951,888	15,409	-	967,297
District administration	1,835,350	-	-	1,835,350
School administration	3,554,419	134,453	-	3,688,872
Business support services	1,693,751	-	-	1,693,751
Plant operation and maintenance	5,698,779	-	-	5,698,779
Student transportation	1,610,732	122,543	-	1,733,275
Central office	-	-	-	-
Food service operation	9,165	-	-	9,165
Community service operations	-	1,097,673	-	1,097,673
Facility acquisition and construction	59,092	-	106,818	165,910
Debt service:				
Principal	-	-	1,558,541	1,558,541
Interest	-	-	556,741	556,741
<b>Total expenditures</b>	<b>38,185,426</b>	<b>8,379,039</b>	<b>2,222,100</b>	<b>48,786,565</b>
Excess (deficit) of revenues over expenditures	1,634,460	(74,232)	(84,833)	1,475,395
<b>Other financing sources (uses)</b>				
Loan and bond proceeds	-	-	-	-
Proceeds from sale of assets	67,291	-	-	67,291
Operating transfers in	15,000	74,232	1,586,559	1,675,791
Operating transfers out	(332,260)	-	(1,428,009)	(1,760,269)
<b>Total other financing sources (uses)</b>	<b>(249,969)</b>	<b>74,232</b>	<b>158,550</b>	<b>(17,187)</b>
Net change in fund balance	1,384,491	-	73,717	1,458,208
Fund balance, July 1, 2013	7,642,820	-	310,870	7,953,690
Fund balance, June 30, 2014	\$ 9,027,311	\$ -	\$ 384,587	\$ 9,411,898

See notes to the financial statements.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2014**

Amounts reported for governmental activities in the statement of net position are different because:

Net changes-governmental funds		\$ 1,458,208
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(1,441,897)	
Capital outlays	594,725	
Retirement of capital assets	<u>(51,077)</u>	(898,249)
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Principal paid		1,558,541
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
		<u>32,926</u>
Changes in net position of governmental activities		<u>\$ 2,151,426</u>

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget to Actual – General Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Taxes	\$ 15,750,000	\$ 15,750,000	\$ 16,469,045	\$ 719,045
Other local sources	328,000	328,000	415,955	87,955
State sources	13,578,670	15,749,283	22,525,312	6,776,029
Federal sources	420,000	420,000	409,574	(10,426)
Other sources	3,000	3,000	82,291	79,291
	<u>30,079,670</u>	<u>32,250,283</u>	<u>39,902,177</u>	<u>7,651,894</u>
<b>Expenditures</b>				
Instructional	16,815,848	17,417,738	19,997,650	(2,579,912)
Student support services	2,236,840	2,339,958	2,774,600	(434,642)
Staff support services	771,035	757,108	951,888	(194,780)
District administration	3,232,537	4,706,237	1,835,350	2,870,887
School administration	2,795,578	2,842,445	3,554,419	(711,974)
Business support services	1,519,097	1,518,406	1,693,751	(175,345)
Plant operation and maintenance	5,333,011	5,423,846	5,698,779	(274,933)
Student transportation	1,469,273	1,528,486	1,610,732	(82,246)
Food service operation	19,300	19,300	9,165	10,135
Community service operations	-	-	-	-
Facility acquisition and construction	87,924	87,924	59,092	28,832
Other	3,424,337	3,251,655	332,260	2,919,395
	<u>37,704,780</u>	<u>39,893,103</u>	<u>38,517,686</u>	<u>1,375,417</u>
Net change in fund balance	(7,625,110)	(7,642,820)	1,384,491	9,027,311
Fund balance, July 1, 2013	<u>7,625,110</u>	<u>7,642,820</u>	<u>7,642,820</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,027,311</u>	<u>\$ 9,027,311</u>

See notes to the financial statements.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget to Actual – Special Revenue  
Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Other local sources	\$ 76,002	\$ 159,582	\$ 543,351	\$ 383,769
State sources	2,566,140	2,591,147	2,661,048	69,901
Federal sources	5,331,794	5,168,754	5,100,408	(68,346)
Other sources	80,000	74,232	74,232	-
<b>Total revenues</b>	<b>8,053,936</b>	<b>7,993,715</b>	<b>8,379,039</b>	<b>385,324</b>
<b>Expenditures:</b>				
Instructional	6,571,038	6,273,272	6,872,646	(599,374)
Student support services	113,671	118,682	136,315	(17,633)
Staff support services	13,397	14,778	15,409	(631)
School administration	112,201	106,714	134,453	(27,739)
Plant operation and maintenance	-	-	-	-
Student transportation	145,206	133,096	122,543	10,553
Community service operations	1,098,423	1,347,173	1,097,673	249,500
Other	-	-	-	-
<b>Total expenditures</b>	<b>8,053,936</b>	<b>7,993,715</b>	<b>8,379,039</b>	<b>(385,324)</b>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ -	\$ -

See notes to the financial statements.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Net Position – Proprietary Funds  
As of June 30, 2014**

	<u>Food Service</u>	<u>Day Care Funds</u>	<u>Total</u>
<b>Assets</b>			
<b>Current:</b>			
Cash and cash equivalents	\$ 827,555	\$ (462)	\$ 827,093
Accounts receivable	31,617	485	32,102
Inventories for consumption	66,667	-	66,667
	<u>925,839</u>	<u>23</u>	<u>925,862</u>
Total current			
<b>Noncurrent</b>			
Furniture and fixtures	772,408	-	772,408
Less: accumulated depreciation	(516,247)	-	(516,247)
	<u>256,161</u>	<u>-</u>	<u>256,161</u>
Total noncurrent			
Total assets	<u>1,182,000</u>	<u>23</u>	<u>1,182,023</u>
<b>Liabilities and Net Position</b>			
<b>Current:</b>			
Accounts payable	1,539	23	1,562
	<u>1,539</u>	<u>23</u>	<u>1,562</u>
Total current			
<b>Net Position</b>			
Invested in assets, net of debt	256,161	-	256,161
Restricted	924,300	-	924,300
	<u>924,300</u>	<u>-</u>	<u>924,300</u>
Total net position	<u>\$ 1,180,461</u>	<u>\$ -</u>	<u>\$ 1,180,461</u>

See notes to the financial statements.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds  
Year Ended June 30, 2014**

	<b>Food Service</b>	<b>Day Care Funds</b>	<b>Total</b>
<b>Operating revenues</b>			
Lunchroom sales	\$ 10,042	\$ -	\$ 10,042
Other operating revenues	157,579	124,140	281,719
<b>Total operating revenues</b>	<u>167,621</u>	<u>124,140</u>	<u>291,761</u>
<b>Operating expenses</b>			
Salaries and benefits	1,144,629	220,304	1,364,933
Contract services	83,131	459	83,590
Materials and supplies	1,489,319	18,447	1,507,766
Depreciation	26,891	-	26,891
Other operating expenses	161,929	31,447	193,376
<b>Total operating expenses</b>	<u>2,905,899</u>	<u>270,657</u>	<u>3,176,556</u>
<b>Operating loss</b>	<u>(2,738,278)</u>	<u>(146,517)</u>	<u>(2,884,795)</u>
<b>Nonoperating revenues (expenses)</b>			
Federal grants	2,612,068	13,131	2,625,199
State grants	186,903	33,908	220,811
Donated commodities and other donations	164,146	-	164,146
Transfers	(15,000)	99,478	84,478
Loss on disposal of capital assets	-	-	-
Interest income	1,113	-	1,113
<b>Total nonoperating revenues</b>	<u>2,949,230</u>	<u>146,517</u>	<u>3,095,747</u>
<b>Net income</b>	210,952	-	210,952
<b>Total net position, July 1, 2013</b>	<u>969,509</u>	<u>-</u>	<u>969,509</u>
<b>Total net position, June 30, 2014</b>	<u><u>\$ 1,180,461</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,180,461</u></u>

See notes to the financial statements.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2014**

	<u>Food Service Fund</u>	<u>Day Care Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Cash received from lunchroom sales	\$ 10,042	\$ -	\$ 10,042
Cash received from other activities	423,397	123,655	547,052
Cash payments to employees for services	(1,144,629)	(220,304)	(1,364,933)
Cash payments to suppliers for goods and services	<u>(1,743,691)</u>	<u>(50,338)</u>	<u>(1,794,029)</u>
Net cash used in operating activities	<u>(2,454,881)</u>	<u>(146,987)</u>	<u>(2,601,868)</u>
<b>Cash flows from capital financing activities</b>			
Transfers	(15,000)	99,478	84,478
Purchase of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in capital financing activities	<u>(15,000)</u>	<u>99,478</u>	<u>84,478</u>
<b>Cash flows from noncapital financing activities</b>			
Non-operating revenues received	<u>2,963,118</u>	<u>47,039</u>	<u>3,010,157</u>
Net cash provided by noncapital financing activities	<u>2,963,118</u>	<u>47,039</u>	<u>3,010,157</u>
<b>Cash flows from investing activities</b>			
Interest on investments	<u>1,113</u>	<u>-</u>	<u>1,113</u>
Net cash flows provided by investing activities	<u>1,113</u>	<u>-</u>	<u>1,113</u>
Net increase (decrease) in cash and cash equivalents	494,350	(470)	493,880
Cash (overdraft) and cash equivalents - beginning	<u>333,205</u>	<u>8</u>	<u>333,213</u>
Cash (overdraft) and cash equivalents - ending	<u>\$ 827,555</u>	<u>\$ (462)</u>	<u>\$ 827,093</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>			
Operating loss	\$ (2,738,278)	\$ (146,517)	\$ (2,884,795)
<b>Adjustments to reconcile operating loss to net cash used in operating activities</b>			
Depreciation	26,891	-	26,891
Changes in assets and liabilities:			
(Decrease) increase in accounts payable	(644)	15	(629)
(Increase) decrease in accounts receivable	265,818	(485)	265,333
(Increase) decrease in inventories	<u>(8,668)</u>	<u>-</u>	<u>(8,668)</u>
Net cash used in operating activities	<u>\$ (2,454,881)</u>	<u>\$ (146,987)</u>	<u>\$ (2,601,868)</u>
<b>Schedule of non-cash transactions</b>			
Donated commodities received from federal government	<u>\$ 164,146</u>	<u>\$ -</u>	<u>\$ 164,146</u>

See notes to the financial statements.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position  
Year Ended June 30, 2014

	<u>School Activity Funds</u>	<u>Total</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 302,133	\$ 302,133
Total assets	<u>302,133</u>	<u>302,133</u>
<b>Liabilities</b>		
Due to student groups	<u>302,133</u>	<u>302,133</u>
Total liabilities	<u>\$ 302,133</u>	<u>\$ 302,133</u>

See notes to the financial statements.

## COVINGTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### ***Reporting Entity***

The Covington Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Covington Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Covington Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Covington Independent School District Finance Corporation - The Board authorized the establishment of the Covington Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Covington Independent Board of Education also comprise the Corporation's Board of Directors.

##### ***Basis of Presentation***

District-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

## COVINGTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Basis of Presentation (Continued)*

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

##### I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 40. This is a major fund of the District.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation (Continued)***

I. Governmental Fund Types (cont'd)

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

IV. Fiduciary Fund Type (Agency and Trust Funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

## COVINGTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***Basis of Accounting***

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

##### ***Taxes***

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Budgetary Process***

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

***Cash and Cash Equivalents***

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

***Inventories***

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars, with the exception of computers, digital cameras and real property, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets (Continued)***

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food-service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

***Accumulated Unpaid Sick Leave Benefits***

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

## COVINGTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***Fund Balance Reserves***

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

##### ***Net Position***

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

##### ***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**NOTE 2 - ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Land	\$ 1,393,260	\$ -	\$ -	\$ 1,393,260
Land improvements	781,134	-	-	781,134
Buildings and improvements	39,415,242	1,170,861	-	40,586,103
Technology equipment	2,768,366	294,917	268,220	2,795,063
Vehicles	2,140,399	226,757	1,500	2,365,656
General equipment	1,094,632	9,519	5,666	1,098,485
Totals at historical cost	<u>47,593,033</u>	<u>1,702,054</u>	<u>275,386</u>	<u>49,019,701</u>
Less: accumulated depreciation				
Land improvements	724,350	9,548	-	733,898
Buildings and improvements	19,930,212	882,401	-	20,812,613
Technology equipment	1,721,697	405,915	218,994	1,908,618
Vehicles	1,450,138	110,613	600	1,560,151
General equipment	811,366	33,420	4,715	840,071
Total accumulated depreciation	<u>24,637,763</u>	<u>1,441,897</u>	<u>224,309</u>	<u>25,855,351</u>
Governmental activities capital assets - net	<u>\$ 22,955,270</u>	<u>\$ 260,157</u>	<u>\$ 51,077</u>	<u>\$ 23,164,350</u>
 <u>Business - Type Activities</u>				
General equipment	\$ 817,783	\$ -	\$ 48,575	\$ 769,208
Technology equipment	3,200	-	-	3,200
Totals at historical cost	<u>820,983</u>	<u>-</u>	<u>48,575</u>	<u>772,408</u>
Less: accumulated depreciation				
General equipment	536,757	26,252	48,575	514,434
Technology equipment	1,173	640	-	1,813
Total accumulated depreciation	<u>537,930</u>	<u>26,892</u>	<u>48,575</u>	<u>516,247</u>
Business - type activities capital assets - net	<u>\$ 283,053</u>	<u>\$ (26,892)</u>	<u>\$ -</u>	<u>\$ 256,161</u>

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 5 - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014 this amount totaled approximately \$561,021 for those employees with twenty-seven or more years of experience.

**NOTE 6 - LEASE OBLIGATIONS AND BONDED DEBT**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
January 1, 2005	\$ 126,934	3.000% - 3.625%
January 1, 2005	545,000	3.350%
October 1, 2005	1,195,000	2.900% - 4.200%
January 1, 2006	214,714	3.000% - 4.200%
September 1, 2006	154,177	3.500% - 3.875%
April 1, 2007	4,255,000	3.500% - 3.800%
May 1, 2008	3,760,000	2.200% - 3.300%
May 15, 2008	1,030,000	2.200% - 3.300%
January 1, 2009	83,609	2.000% - 3.900%
June 1, 2009	1,255,000	1.400% - 4.500%
April 1, 2010	2,275,000	1.500% - 5.700%
December 1, 2010	3,000,000	1.200% - 6.125%
July 1, 2010	176,764	1.000% - 3.300%
July 1, 2012	265,448	2.000% - 2.750%
October 1, 2012	1,090,000	1.100% - 2.625%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court and the Covington Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note P sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014 for debt service (principal and interest) are reported in Note 16.

## COVINGTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 7 - RETIREMENT PLANS

##### Kentucky Teachers Retirement System

The Kentucky Local School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education. Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

Funding policy – Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. The contribution requirement for KTRS for the year ended June 30, 2014, was \$3,081,661, which consisted of \$629,373 from the District and \$2,452,288 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$2,934,556 and \$2,767,394, respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

##### County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2014, was \$1,945,211, which consisted of \$1,529,852 from the District and \$415,360 from the employees. Total contributions for the year ended June 30 2013 and 2012 were \$2,005,355 and \$1,911,819 respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

The District's total payroll for the year was \$29,695,275. The payroll for employees covered under KTRS was \$21,596,543 and for CERS was \$8,098,732.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

## COVINGTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 8 - CONTINGENCIES

##### Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

#### NOTE 9 - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

#### NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 - DEFICIT OPERATING/FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Construction Fund	\$	106,818
Holmes High School		12,753
Sixth District Elementary School		8,017
Glenn O. Swing Elementary School		6,340
James E. Biggs Early Childhood Education Center		4,337
Ninth District Elementary School		3,053
Covington Adult High School		521

**NOTE 12 - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**NOTE 13 - CONTINGENT LIABILITY**

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2014, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$137,796. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

**NOTE 14 - TRANSFER OF FUNDS**

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
1	400	Debt service	\$ 158,550
1	2	Matching	\$ 74,232
1	50	Operations	\$ 99,478
51	1	Indirect	\$ 15,000
310	400	Debt service	\$ 347,794
320	400	Debt service	\$ 1,080,215

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 15 - ON-BEHALF PAYMENTS**

For the year ended June 30, 2014 total payments of \$7,487,829 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 6,765,957
Debt Service	528,723
Day Care	31,222
Food Service	<u>161,927</u>
 Total On-Behalf	 <u><u>\$ 7,487,829</u></u>

**NOTE 16 – SCHEDULE OF LONG-TERM OBLIGATIONS**

2002R, 2005B, 2007, 2008, 2008B, 2009, 2010, 2010B, 2012 and KISTA Bus Loans

FISCAL YEAR	COVINGTON INDEPENDENT SCHOOL DISTRICT			KY SCHOOL FACILITIES CONSTRUCTION COMMISSION			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2014-2015	\$ 1,275,042	\$ 299,204	\$ 1,574,246	\$ 321,714	\$ 202,009	\$ 523,723	\$ 2,097,969
2015-2016	1,229,628	258,767	1,488,395	330,897	192,329	523,226	2,011,621
2016-2017	1,244,616	219,240	1,463,856	348,032	181,845	529,877	1,993,733
2017-2018	1,267,938	178,158	1,446,096	358,327	170,599	528,926	1,975,022
2018-2019	1,310,622	135,704	1,446,326	331,948	158,477	490,425	1,936,751
2019-2020	342,586	88,383	430,969	284,418	146,664	431,082	862,051
2020-2021	335,789	79,791	415,580	294,211	136,322	430,533	846,113
2021-2022	250,075	70,032	320,107	304,925	125,057	429,982	750,089
2022-2023	258,910	62,854	321,764	316,090	113,342	429,432	751,196
2023-2024	266,813	55,187	322,000	333,187	100,352	433,539	755,539
2024-2025	278,880	47,300	326,180	346,120	86,183	432,303	758,483
2025-2026	283,867	39,039	322,906	346,133	71,882	418,015	740,921
2026-2027	258,597	30,484	289,081	291,403	58,214	349,617	638,698
2027-2028	265,729	22,532	288,261	299,271	45,253	344,524	632,785
2028-2029	259,432	14,420	273,852	240,568	31,730	272,298	546,150
2029-2030	226,109	6,706	232,815	178,891	20,219	199,110	431,925
2030-2031	79,134	559	79,693	185,866	11,537	197,403	277,096
2031-2032	-	-	-	65,000	2,428	67,428	67,428
2032-2033	-	-	-	60,000	788	60,788	60,788
	<u>\$ 9,433,767</u>	<u>\$ 1,608,360</u>	<u>\$ 11,042,127</u>	<u>\$ 5,237,001</u>	<u>\$ 1,855,230</u>	<u>\$ 7,092,231</u>	<u>\$ 18,134,358</u>

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 16 – SCHEDULE OF LONG-TERM OBLIGATIONS (Continued)**

A summary of the changes in the outstanding principal for the District during the fiscal year ended June 30, 2014, is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2014</u>
Bond Obligations	\$ 16,229,309	\$ -	\$ 1,558,541	\$ 14,670,768

**NOTE 17 – PRIOR PERIOD ADJUSTMENTS**

For the year ended June 30, 2014, the District adopted GASB 65 *Items Previously Reported as Assets and Liabilities*. As a result of this adoption, the beginning net position of the government fund activities have been decreased by \$160,290. The governmental funds had a balance at June 30, 2013 of \$15,047,874. The balance should have been \$14,887,584. The change is the result of the write off of the amortized costs associated with the deferred loss on a bond's refunding. The net effect of these restatements was \$160,290.

**NOTE 18 - SUBSEQUENT EVENTS**

Subsequent events were considered through November 10, 2014, which represents the release date of our report.

SUPPLEMENTARY  
INFORMATION

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances – Nonmajor Governmental Funds  
Year Ended June 30, 2014**

	<u>Capital Outlay Fund</u>	<u>Construction Funds</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Government Funds</u>
<b>Assets</b>					
<b>Current:</b>					
Cash and cash equivalents	\$ -	\$ 204,048	\$ 180,539	\$ -	\$ 384,587
Accounts receivable	-	-	-	-	-
Total current	<u>\$ -</u>	<u>\$ 204,048</u>	<u>\$ 180,539</u>	<u>\$ -</u>	<u>\$ 384,587</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Restricted:					
Capital projects fund	-	204,048	180,539	-	384,587
Prior year encumbrances	-	-	-	-	-
Debt service fund	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total fund balances	<u>-</u>	<u>204,048</u>	<u>180,539</u>	<u>-</u>	<u>384,587</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 204,048</u>	<u>\$ 180,539</u>	<u>\$ -</u>	<u>\$ 384,587</u>

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances – Nonmajor Governmental Funds  
Year Ended June 30, 2014**

	<b>Capital Outlay Fund</b>	<b>Construction Funds</b>	<b>Building Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Government Funds</b>
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ 761,138	\$ -	\$ 761,138
Earnings on investments	-	-	-	-	-
State sources	347,794	-	499,612	528,723	1,376,129
Federal sources	-	-	-	-	-
Other sources	-	-	-	-	-
<b>Total revenues</b>	<b>347,794</b>	<b>-</b>	<b>1,260,750</b>	<b>528,723</b>	<b>2,137,267</b>
<b>Expenditures:</b>					
Instructional	-	-	-	-	-
Student support services	-	-	-	-	-
Staff support services	-	-	-	-	-
District administration	-	-	-	-	-
School administration	-	-	-	-	-
Business support services	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
Student transportation	-	-	-	-	-
Central office	-	-	-	-	-
Food service	-	-	-	-	-
Community service operations	-	-	-	-	-
Facility acquisition and construction	-	106,818	-	-	106,818
Debt service:					
Principal	-	-	-	1,558,541	1,558,541
Interest	-	-	-	556,741	556,741
<b>Total expenditures</b>	<b>-</b>	<b>106,818</b>	<b>-</b>	<b>2,115,282</b>	<b>2,222,100</b>
Excess (deficit) of revenues over expenditures	347,794	(106,818)	1,260,750	(1,586,559)	(84,833)
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of bonds	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Operating transfers in	-	-	-	1,586,559	1,586,559
Operating transfers out	(347,794)	-	(1,080,215)	-	(1,428,009)
<b>Total other financing sources(uses)</b>	<b>(347,794)</b>	<b>-</b>	<b>(1,080,215)</b>	<b>1,586,559</b>	<b>158,550</b>
Net change in fund balance	-	(106,818)	180,535	-	73,717
Fund balance, July 1, 2013	-	310,866	4	-	310,870
Fund balance, June 30, 2014	\$ -	\$ 204,048	\$ 180,539	\$ -	\$ 384,587

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Bond and Interest Redemption Funds  
Year Ended June 30, 2014**

	<u>Issue of 2004 KISTA</u>	<u>Issue of 2005B</u>	<u>Issue of 2005 KISTA</u>	<u>Issue of 2005B KISTA</u>	<u>Issue of 2006 KISTA</u>	<u>Issue of 2006 KISTA - 2</u>	<u>Issue of 2007</u>	<u>Issue of 2008</u>	<u>Issue of 2008B</u>
<b>Cash at July 1, 2013</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>									
Transfers and miscellaneous deposits	6,913	64,188	12,597	89,139	25,852	18,961	605,035	676,240	76,010
<b>Disbursements:</b>									
Bonds paid	6,679	60,000	11,746	55,000	23,383	16,556	465,000	580,000	45,000
Interest coupons	234	4,188	851	34,139	2,469	2,405	140,035	96,240	31,010
Transfers and miscellaneous	-	-	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-	-	-
Total disbursements	6,913	64,188	12,597	89,139	25,852	18,961	605,035	676,240	76,010
Excess of receipts over disbursements	-	-	-	-	-	-	-	-	-
<b>Cash at June 30, 2014</b>	-	-	-	-	-	-	-	-	-
<b>Accounts Receivable and Payable</b>									
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-	-
<b>Fund Balance at June 30, 2014</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Issue of 2009</u>	<u>Issue of 2009 KISTA</u>	<u>Issue of 2010</u>	<u>Issue of 2010B</u>	<u>Issue of 2010 KISTA</u>	<u>Issue of 2012</u>	<u>Issue of 2012 KISTA</u>	<u>Total</u>
<b>Cash at July 1, 2013</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>								
Transfers and miscellaneous deposits	91,950	9,876	160,854	166,754	20,163	64,881	25,869	2,115,282
<b>Disbursements:</b>								
Bonds paid	50,000	8,173	95,000	60,000	17,004	45,000	20,000	1,558,541
Interest coupons	41,950	1,703	65,854	106,754	3,159	19,881	5,869	556,741
Transfers and miscellaneous	-	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-	-
Total disbursements	91,950	9,876	160,854	166,754	20,163	64,881	25,869	2,115,282
Excess of receipts over disbursements	-	-	-	-	-	-	-	-
<b>Cash at June 30, 2014</b>	-	-	-	-	-	-	-	-
<b>Accounts Receivable and Payable</b>								
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-
<b>Fund Balance at June 30, 2014</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Holmes High School Activity Funds  
Year Ended June 30, 2014**

	<b>Fund Balance July 1, 2013</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2014</b>
A P human geography	\$ 528	\$ 18,184	\$ 18,712	\$ -
Academic team	515	-	325	190
Alumni fund	3,280	95	320	3,055
Annual	662	2,059	1,085	1,636
Art department	150	-	-	150
Athletic deposits	-	33,208	33,208	-
Athletic expenses	-	35,731	35,731	-
Athletic office	7,712	18,881	18,563	8,030
Auto body VICA	548	-	240	308
Auto mechanics VICA	493	-	-	493
Baseball fundraiser	1,420	-	-	1,420
Basketball fundraiser	3,223	112	2,275	1,060
Bulldog leadership	11,184	2,625	9,465	4,344
Carpentry VICA	476	-	-	476
CAS account	743	-	-	743
Chapman principal	568	3,210	3,746	32
Cheerleaders - senior	-	3,718	3,718	-
Cheerleaders 8/9/JV	208	-	208	-
Child care development center	239	75	-	314
Class of 2013	37	-	-	37
Class of 2014	661	7,927	8,369	219
Class of 2015	-	7,972	7,972	-
Class of 2016	-	94	-	94
Clinton Harvey	7,986	-	1,000	6,986
Cross country fundraiser	5,083	531	275	5,339
Don Conrad family scholarship	40,000	52,500	37,500	55,000
Eighth Grade Boys Basketball	-	-	-	-
Eighth Grade Girls Basketball	1	-	-	1
Faculty lounge Sr.	324	-	-	324
Fine arts enrichment	759	736	871	624
Flower fund	175	900	563	512
Football fundraiser	25	-	-	25
Forensics	-	-	-	-
French club	761	-	-	761
Future business	3	-	-	3
Future educator	1,678	1,525	3,203	-
G & R Reed scholarship	3,465	-	1,000	2,465
General fund	18,095	6,889	21,552	3,432
Girls' soccer fundraiser	277	-	-	277
Heisel, DR medallion	4,606	-	-	4,606
Holmes alternative	11	-	-	11
Holmes broadcasting	643	1,000	-	1,643
Holmes marching band	610	10,450	5,604	5,456

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Holmes High School Activity Funds  
Year Ended June 30, 2014  
(Continued)**

	<b>Fund Balance July 1, 2013</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2014</b>
Holmespun	\$ 124	\$ -	\$ -	\$ 124
Honor Society - Sr.	40	-	-	40
Horizons	512	-	-	512
Industrial electrical VICA	300	-	-	300
Library	387	127	164	350
Marine Corp adm	3,891	500	734	3,657
Mitchell, H & S scholarship	10,684	3,100	500	13,284
MS sweats	-	855	-	855
NAACP	36	-	-	36
National Art Honor	2	-	-	2
Needy student fund	577	310	310	577
Nurse office	-	200	-	200
Petty cash	50	-	-	50
R&J Sargent scholarship	2,000	4,000	2,000	4,000
Records office	1,458	615	-	2,073
Rex's choir	494	100	555	39
Roth-Morgan scholarship	2,610	-	500	2,110
Seventh Grade Boys Basketball	-	200	187	13
Seventh Grade Girls Basketball	-	-	-	-
Sixth Grade Boys Basketball	-	-	-	-
Sixth Grade Girls Basketball	-	-	-	-
Skills executive council	-	563	-	563
Skills USA executive	728	4,935	5,005	658
Softball fast fundraiser	6,361	-	825	5,536
Spanish club	234	-	-	234
Staff social committee	-	247	110	137
Student behavior mod	2,364	1,285	2,862	787
Student council	3,112	-	-	3,112
Students in transition	14	-	-	14
Student tech leader	355	-	-	355
Supply store	14,290	11,233	8,764	16,759
Swimming fundraiser	979	214	763	430
Teacher incentive	462	937	1,264	135
Textbooks	10,584	896	9,256	2,224
TLC-Service Learning	1,227	-	-	1,227
Track fundraiser	110	-	-	110
Tudor scholarship	9,726	-	800	8,926
Varsity club	9,203	678	1,526	8,355
Virginia Chapman scholarship	500	-	500	-
Vogt family scholarship	1,500	1,200	1,500	1,200
Volleyball fundraiser	756	-	-	756

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Holmes High School Activity Funds  
Year Ended June 30, 2014  
(Continued)**

	<b>Fund Balance July 1, 2013</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2014</b>
Washington DC	\$ 643	\$ -	\$ -	\$ 643
Welding	97	-	-	97
Wrestling fundraiser	143	-	-	143
Youth service center	2,016	-	3	2,013
YSC Sr. welfare	1,438	339	76	1,701
YSC tobacco education	711	-	-	711
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>\$ 207,867</b>	<b>\$ 240,956</b>	<b>\$ 253,709</b>	<b>\$ 195,114</b>

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Year Ended June 30, 2014**

	<u>Covington Adult High School</u>	<u>Holmes Middle School</u>	<u>Sixth District Elementary School</u>	<u>Ninth District Elementary School</u>	<u>John G. Carlisle Elementary School</u>
Fund balances at July 1, 2013	\$ 656	\$ 21,469	\$ 17,856	\$ 13,492	\$ 18,917
Add: receipts	1	23,004	8,921	5,157	41,272
Less: disbursements	<u>(522)</u>	<u>(18,248)</u>	<u>(16,938)</u>	<u>(8,210)</u>	<u>(39,902)</u>
Fund balances at June 30, 2014	<u>\$ 135</u>	<u>\$ 26,225</u>	<u>\$ 9,839</u>	<u>\$ 10,439</u>	<u>\$ 20,287</u>

	<u>Glenn O. Swing Elementary School</u>	<u>Latonia Elementary School</u>	<u>James E. Biggs Early Childhood Education Center</u>	<u>Total</u>
Fund balances at July 1, 2013	\$ 10,018	\$ 27,958	\$ 4,338	\$ 114,704
Add: receipts	20,729	48,947	3,924	151,955
Less: disbursements	<u>(27,069)</u>	<u>(40,490)</u>	<u>(8,261)</u>	<u>(159,640)</u>
Fund balances at June 30, 2014	<u>\$ 3,678</u>	<u>\$ 36,415</u>	<u>\$ 1</u>	<u>\$ 107,019</u>

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 6/30/2014</u>
<b><u>U.S. Department of Defense</u></b>			
<b><i>Direct Awards</i></b>			
ROTC Language and Culture Training Grants	12.357	N/A	\$ 60,012
<b><u>U.S. Department of Education</u></b>			
<b><i>Direct Awards</i></b>			
Fund for Improvement of Education - Teaching American History	84.215X	U215X100065	60,659
Fund for Improvement of Education - Carol M. White Physical Education Fund	84.215F	Q215F100109-12	369,764
Total for CFDA #84.215			<u>430,423</u>
<b><i>Passed through Kentucky Department of Education</i></b>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 13	201,982
Special Education_Grants to States	84.027	3810002 14	849,267
Special Education_Preschool Grants	84.173	3800002 14	58,752
Total Special Education Cluster			<u>1,110,001</u>
Title I Grants to Local Educational Agencies	84.010A	3100002 13	360,587
Title I Grants to Local Educational Agencies	84.010A	3100002 12	9,835
Title I Grants to Local Educational Agencies	84.010A	3100002 14	1,817,421
Total for CFDA #84.010			<u>2,187,843</u>
Career and technical Education -Basic Grants to States	84.048	4621332 13	4,602
Career and technical Education -Basic Grants to States	84.048	3710002 14	88,229
Total for CFDA #84.048			<u>92,831</u>
Education for Homeless Children and Youth	84.196	3990002 12	22,200
Education for Homeless Children and Youth	84.196	3990002 13	52,440
Total for CFDA #84.196			<u>74,640</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 13	32,059
Title II Improving Teacher Quality State Grants	84.367	3230002 14	244,862
Total for CFDA #84.367			<u>276,921</u>
School Improvement Grants	84.377	3100202 12	2,816
Race to the Top	84.413	3960002 11	61,055
Twenty-First Century Community Learning Centers	84.287C	3400002 12	39,706
Twenty-First Century Community Learning Centers	84.287C	3400002 13	476,933
Twenty-First Century Community Learning Centers	84.287C	3400002 14	17,171
Total for CFDA #84.287			<u>597,681</u>
<b>Total U.S. Department of Education</b>			<b>4,770,340</b>
<b><u>U.S. Department of Agriculture</u></b>			
Child Nutrition Cluster			
<b><i>Passed through Kentucky Department of Education</i></b>			
National School Lunch Program	10.555	7750002 14	1,672,132
School Breakfast Program	10.553	7760005 14	624,828
Summer Food Program	10.559	7740023 13	11,003
Summer Food Program	10.559	7740023 14	63,233
Total U.S. Department of Education			<u>2,371,196</u>
<b><i>Passed through Kentucky Department of Agriculture</i></b>			
National School Lunch Program - Food Donation	10.555	N/A	164,146
Total Child Nutrition Cluster			<u>2,535,342</u>
<b>Other</b>			
<b><i>Passed through Kentucky Department of Agriculture</i></b>			
Child and Adult Care Food Program	10.558	7790021 14	12,096
Child and Adult Care Food Program	10.558	7800016 14	1,036
Total for CFDA #10.558			<u>13,132</u>
Fresh Fruit and Vegetable Program	10.582	7720012 14	95,210
<b>Total U.S. Department of Agriculture</b>			<b><u>108,342</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 7,474,036</u></b>

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Covington Independent School District under programs of the federal government for the year ended June 30, 2014, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Covington Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE 2 – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2014, the District reported food commodities expended in the amount of \$164,146.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Board of Education  
Covington Independent School District  
Covington, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Covington Independent School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Covington Independent School District's basic financial statements, and have issued our report thereon dated November 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Covington Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Covington Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Covington Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Covington Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management of the District in a separate letter dated November 10, 2014.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**(Continued)**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Burns, Denning & Co., Ltd.*

Crestview Hills, Kentucky  
November 10, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Education  
Covington Independent School District  
Covington, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Covington Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Covington Independent School District's major federal programs for the year ended June 30, 2014. Covington Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Covington Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Covington Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Covington Independent School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Covington Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

Management of Covington Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Covington Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**(Continued)**

**Report on Internal Control Over Compliance (Continued)**

Accordingly, we do not express an opinion on the effectiveness of Covington Independent School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Crestview Hills, Kentucky  
November 10, 2014

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

**SECTION I -SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None noted
  
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

***Identification of major programs***

CFDA No.	Name of Federal Program or Clusters
10.553/10.555/10.559 84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters are reportable

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST**

No matters are reportable

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2014**

Reference Number	Summary of Findings	Status
No matters are reportable		

## COVINGTON INDEPENDENT SCHOOL DISTRICT

### Management Letter Comments Year Ended June 30, 2014

In planning and performing our audit of the financial statements of Covington Independent School District for the year ended June 30, 2014, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 10, 2014 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 10, 2014, on the financial statements of the Covington Independent School District.

#### **CURRENT YEAR RECOMMENDATIONS**

##### **CENTRAL OFFICE**

No matters are reportable

##### **ACTIVITY FUNDS**

###### **Holmes High School**

No matters are reportable

###### **Holmes Middle School**

###### **2014-01: Invoices not marked paid**

Criteria – Per best practices recommended by the Kentucky Department of Education, upon payment of an invoice, schools should mark or stamp the invoices as paid.

Condition – During the testing of the Activity Funds, it was noted that several paid invoices were not marked or stamped to show they were paid.

Effect – Proper documentation of the payment process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that upon payment all invoices are stamped or marked paid prior.

Board Response – The School will develop a procedure for the proper staff to follow in order to document and pay invoices.

###### **Covington Independent Adult High School**

No matters are reportable

###### **Sixth District Elementary**

No matters are reportable

###### **Ninth District Elementary**

No matters are reportable

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2014**

**John G. Carlisle Elementary**

No matters are reportable.

**Latonia Elementary**

No matters are reportable

**Glenn O. Swing Elementary**

No matters are reportable

**James E. Biggs Early Childhood Education Center**

**2014-03: Monthly bank reconciliations not prepared and reviewed timely**

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should have a process in place to prepare and review the monthly bank reconciliations each month.

Condition – During the testing of the Activity Funds, it was noted that several of the monthly bank reconciliations were not prepared and reviewed on a timely basis.

Effect – Proper documentation of the monthly financial process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that the financial secretary prepare and submit the monthly bank reconciliations to the principal for review each month.

Board Response – The finance officer has provided additional training to the proper employees to strengthen the controls over the reconciliation process for the school's bank accounts.

**COVINGTON INDEPENDENT SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2014**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

No matters are reportable

**ACTIVITY FUNDS**

**Holmes High School**

No matters are reportable

**Holmes Middle School**

No matters are reportable

**Covington Independent Adult High School**

No matters are reportable

**Sixth District Elementary**

No matters are reportable

**Ninth District Elementary**

No matters are reportable

**John G. Carlisle Elementary**

No matters are reportable

**Latonia Elementary**

No matters are reportable

**Glenn O. Swing Elementary**

No matters are reportable

**James E. Biggs Early Childhood Education Center**

No matters are reportable